



Fairfax County Economic Index

Volume IV, Number 10

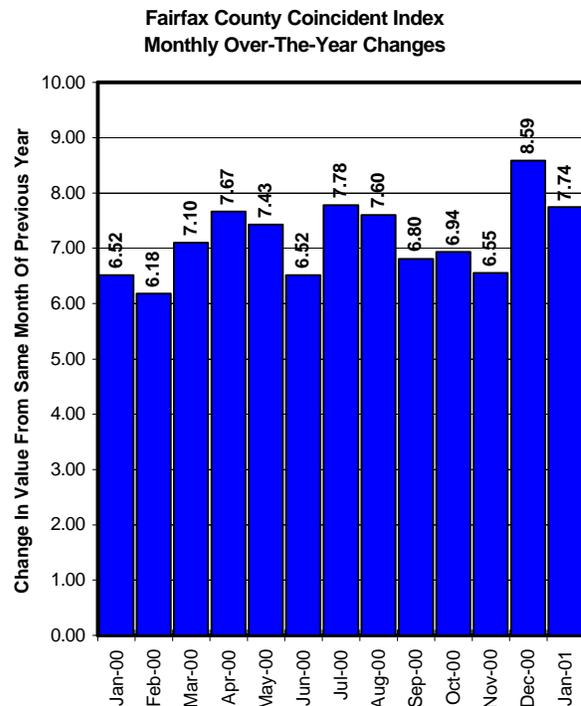
MARCH 2001

Economy Remains Strong In January, Some Moderation Likely In Coming Months

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased sharply in January to 135.96, for a gain of 3.2 percent. This is the Index's largest one-month gain since January 2000 and extends its upward track to a seventh consecutive month. The continuing strength of the County's economy is seen in the steady monthly over-the-year increases in the Coincident Index and its overall increase of 6.04 percent since January 2000. This month's gain in the Index is attributed to three of its four components.

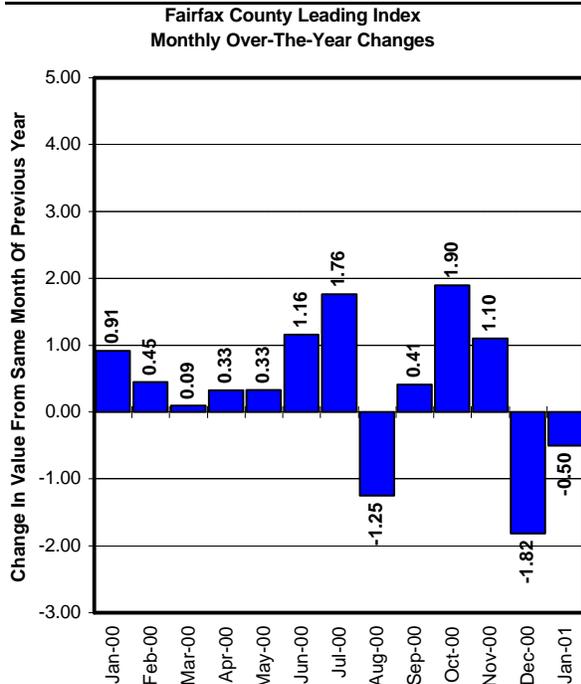
- Total employment registered a strong increase in January with year-end data revisions showing gains for each month over the past year;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a third consecutive month; and,
- Sales tax collections, adjusted for inflation and seasonal variation, recorded a double-digit gain for the second month in a row; while,
- Consumer confidence declined for the second month and for the third time in the last four months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of



Source: Center for Regional Analysis, George Mason University

the County's economy nine to twelve months in advance, increased marginally in January and has now been higher in four consecutive months. These recent gains have only been modest and have not yet brought the Index back to its previous peak recorded in July 2000. Over the past year, while the Leading Index has increased in eight months, its decreases have exceeded its gains, resulting in its



Source: Center for Regional Analysis, George Mason University

January 2001 value being 0.46 percent lower than its value in January 2000. This trending down of the Index points to slower economic growth in coming months. Three of the Index's five components contributed to its small gain in January.

- New automobile registrations rebounded sharply and have gained now in three of the last four months;
- Initial claims for unemployment insurance decreased (improved) after recording a substantial gain (worsening) in December; and,
- Residential building permits increased for the second month in a row and the fourth time in the past five months; while,
- Consumer expectations (consumer confidence six months hence) fell sharply and have now declined in four of the last five months; and,
- The total value of residential building permits decreased following three monthly gains.

The continuing strength of the Fairfax County economy is apparent in the strong gain in the Coincident Index, which has outperformed its 12-month moving average growth trend over the year. While January's economic indicators are more difficult to read due to adjustments for seasonal

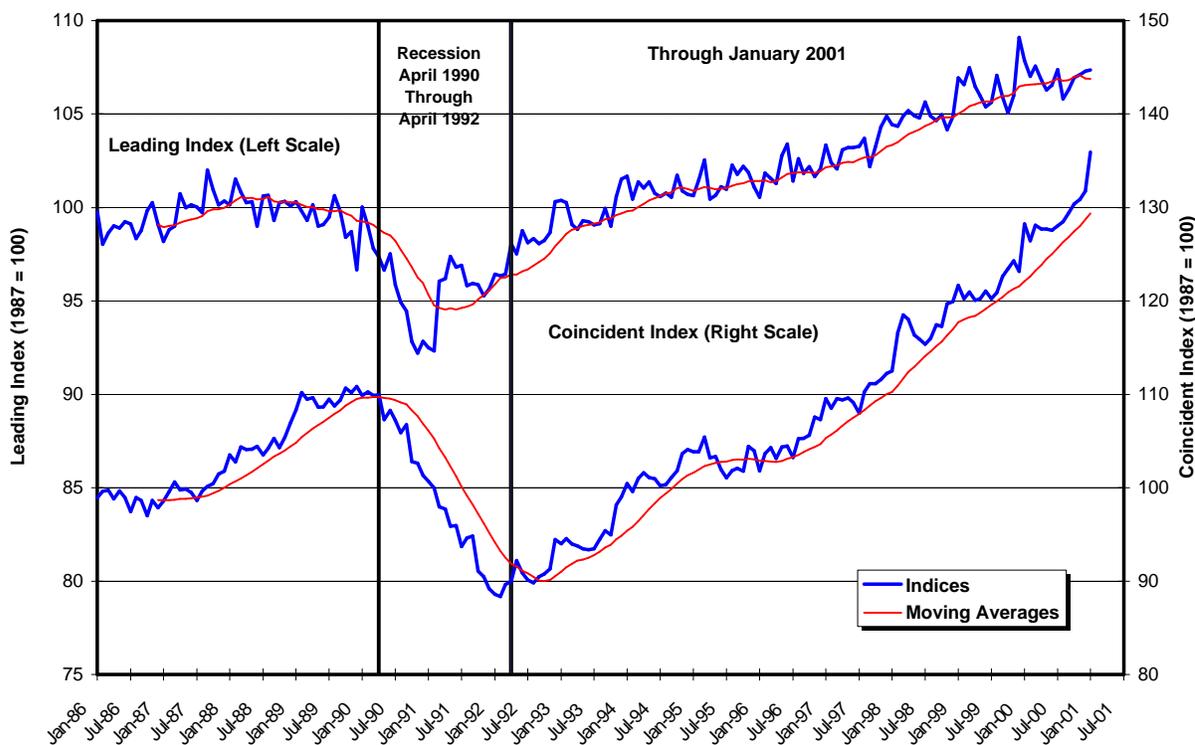
factors, a comparison to same-month values last year shows some weakening that may be pointing to future slower growth. The Leading Index, while increasing slightly in each of the last four months, is not growing as fast as in previous years and provides another cautionary signal of future slowing in the County's economic growth rate. Still, the gains in January confirm the economy's solid foundation that should provide substantial protection from the full impact of the slowdown currently gripping the national economy.

CURRENT CONDITIONS

Re-benchmarked employment data from Northern Virginia and Fairfax County show its gains to have far exceeded previous reports and reaffirm the fundamental strength of the County's economy. For all of 2000, Northern Virginia generated a total of 63,100 new jobs for a gain of 5.8 percent. This job growth in Northern Virginia accounted for 56 percent of the 112,700 new jobs in the Washington metropolitan area (PMSA). The substantial job growth in Northern Virginia in 2000, of which approximately 55 percent, or 33,000 jobs, was generated in Fairfax County, reflected an acceleration from previous years. For the decade, job growth in Northern Virginia totaled 299,700 with 21 percent of these new jobs being generated in 2000.

The economy that supported this strong job growth is the one that is currently being confronted by negative national and international forces. While many of January's economic indicators show the Fairfax County economy following the same pattern of expansion enjoyed last year, sales tax revenue and consumer confidence are not as strong as they were in January 2000. Each of these describes a dimension of the national economy that has already experienced substantial weakening. Consumer spending as seen in retail sales has slowed nationally since mid-2000, with holiday sales up just 1.4 percent. January's retail sales rebounded on the strength of auto sales but preliminary sales data show February's total to have actually dropped below January's. Consumer spending in Fairfax County appears to be tracking closely with national trends, with retail sales in January increasing on a seasonally adjusted basis and auto sales rebounding strongly from their decline in December.

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

Sustaining consumer spending in the face of threatening economic news will be key to the near-term performance of the economy, locally and nationally. Consumer confidence peaked in December 1999 and then seesawed over the next 12 months. Since July 2000, this year's peak, it has trended downward, losing a total of 8.5 percent through January 2001. And, consumers are less confident about the future than the present as shown in the 25 percent decline in consumer expectations from their peak in August. Consumers are the key and their spending patterns in March and April may well determine the economy's growth path for the remainder of the year.

NEAR-TERM OUTLOOK

Several positive indicators are pointing to a mid-year turn around in current economy trends.

At the national level, the Leading Index was up 0.8 percent in January for its first gain in seven months, and growth in the service sector has been strong enough to offset losses in the manufacturing sector. And March's consumer confidence index turned positive, although this survey was taken prior the March sell-off in the stock market. Also, interest rate decreases in January and again in March should help stabilize the economy along with tax refunds—and resultant retail spending—that are running ahead of last year.

The County's Leading Index has moderated over the past year, and although it has been positive for the last four months, it is clearly pointing to slower future growth. While the strength of the County economy will protect it from a substantial slowdown, weaker consumer spending is already apparent and the national economy's slowdown is now being reinforced by the softening of international economic conditions. Consequently, it is likely that the County's economy will also slowdown as the year progresses.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jan-01 Prelim.	Dec-00 Final	Jan-00 Final	Dec-00 to Jan-01	Jan-00 to Jan-01
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	135.96	131.74	128.21	3.20	6.04
Leading Index (1987 = 100)	107.36	107.29	107.86	0.06	-0.46
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	558,948	550,523	522,702	1.53	6.93
<i>Total Covered Employment (Unadjusted)</i>	551,642	559,023	515,870	-1.32	6.93
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	470	395	392	19.16	19.84
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	649	579	516	12.23	25.82
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,343	8,287	10,419	12.74	-10.33
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	10,006	15,449	11,063	-35.23	-9.55
South Atlantic Consumer Confidence	181	186	184	-3.06	-1.90
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	7,552	5,716	6,535	32.10	15.56
<i>Automobile Registrations (Unadjusted)</i>	6,351	4,979	5,496	27.56	15.56
Initial Unemployment Claims (Seasonally Adjusted)	646	695	534	-7.15	20.85
<i>Initial Unemployment Claims (Unadjusted)</i>	910	678	753	34.22	20.85
South Atlantic Consumer Expectations	101.9	120.7	126.7	-15.58	-19.57
Residential Building Permits (Number of Units, Seasonally Adjusted)	844	770	789	9.66	7.07
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	621	582	580	6.70	7.07
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	39,078	43,315	42,810	-9.78	-8.72
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	42,836	53,643	44,694	-20.15	-4.16
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	#N/A	568,329	553,161	#N/A	#N/A
<i>Total Labor Force (Unadjusted)</i>	#N/A	564,771	546,595	#N/A	#N/A
Unemployment Rate (Percent, Seasonally Adjusted)	#N/A	1.00	1.40	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	#N/A	1.01	1.43	--	--

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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